

Local Initiative Program



Units Only Application

2003

LOCAL INITIATIVE PROGRAM APPLICATION FOR UNITS ONLY PROJECTS

Introduction

The Local Initiative Program (LIP) is a state housing initiative administered by the Department of Housing and Community Development (DHCD) to encourage communities to produce low- and moderate-income housing. The program provides technical and other non-financial assistance to cities or towns seeking to increase the supply of housing for households at or below 80 percent of the area median income. Municipalities may request that LIP-approved units be entered into the subsidized housing inventory pursuant to Chapter 40B.

To apply, a community must submit a complete copy of the application to the Department of Housing and Community Development, One Congress Street, 10th Floor, Boston, MA 02114. (Attention: Office of Sustainable Development).

In accordance with 760 CMR 45.03 The Department shall certify Local Initiative Units if they meet the following requirements:

- (1) the units serve Low and Moderate Income households;
- (2) the units are not developed with a comprehensive permit;
- (3) the units are subject to use restrictions which result from city or town action or approval, as a condition of new constructions, building conversion, adaptive re-use, or substantial rehabilitation, or as a result of other local regulatory or inclusionary zoning provision;
- (4) the initial period of such use restrictions is as long as practicable; but must meet the following minimums: **15 years** for units developed by rehabilitation after September 30, 2001, or **30 years** for units developed by new construction after September 30, 2001.
- (5) the owner(s) of the units agree to be subject to equal housing opportunity guidelines established by the Department.

Low and Moderate Income Units

Low and moderate income housing units are defined as those that are affordable to households at or below 80% of area median income (see attached lists). In order to determine the price limits of the unit, the community must determine the HUD published income for the region where the municipality is located. Beginning with 80% of the area median income, the income limit for the appropriate number of persons in a household is then reduced by 10% to provide a window of affordability (a range of affordability established for persons between 70% and 80% of area median income). Each household should not spend more than 30% of its income on housing costs, including principal, interest, taxes and insurance.

**EXAMPLE OF AFFORDABILITY
(HUD2003 INCOME LIMITS)**

BOSTON AREA 4-person household	Annual Income	Monthly Income	30% of Monthly Income
70% of Area Median Income (AMI)	\$56,560	\$4,713.33	\$ 1,414.00
80% of Area Median Income (AMI)	\$62,650	\$ 5,220.83	\$ 1,566.25

The range between 70% and 80% of area median income is the “Window of Affordability”

Mortgage Terms: 30-year fixed Term at 7% Interest Rate

	Example #1	Example #2	Example #3
House Price	\$130,000	\$150,000	\$180,000
Down Payment (5%)	\$6,500	\$7,500	\$9,000
Mortgage Amount	\$123,500	\$142,500	\$171,500
Principal & Interest	\$821.65	\$944.73	\$1,137.67
Real Estate Taxes	\$165.56	\$173.45	\$209.99
Private Mortgage Insurance	\$69.47	\$72.12	\$86.54
Homeowner Insurance	\$35.00	\$35.00	\$66.04
Association Fee	\$40.00	\$10.00	No Assoc. Fee
Total Housing Costs	\$1,131.68	\$1,235.30	\$1,670.24
Are Total Housing Costs at or below 30% of Monthly Income?	@ 70% AMI -----Yes	@ 70% AMI -----Yes	@ 70% AMI -----No
	@ 80% AMI -----Yes	@ 80% AMI -----Yes	@ 80% AMI -----No

NOTE: DHCD currently encourages communities to set prices somewhat below the maximum at 80% of AMI to ensure a “window of affordability” for prospective buyers.

Local Action Requirement

Local Initiative Units must result from city or town action or approval and must be a condition of new construction, building conversion, adaptive re-use, substantial rehabilitation, or other local regulatory or inclusionary zoning provision. In addition, the units may not be developed with a comprehensive permit.

The following are examples of municipal actions that satisfy the local action requirement:

- (1) Zoning-Based approval including rezoning, special permits, density bonuses, site plan review or subdivision approval.
- (2) Financial assistance from funds raised, appropriated or administered by the community.
- (3) Provision of land or buildings that are owned or acquired by the community and conveyed at a below-market cost.
- (4) Technical assistance to homeowners in converting existing housing stock to affordable housing.

Income and Use Restrictions

To be included in the state's Subsidized Housing Inventory, Local Initiative Units must meet income eligibility criteria that result directly from the local action. It is not sufficient that the housing units might be presently occupied by low and moderate-income households.

Also, Local Initiative Units must have a use restriction. A use restriction is a legal document that ensures that low or moderate income housing units remain affordable to qualified households during a specified “lock-in” period. In the Local Initiative Program, this lock-in must be achieved for the longest period feasible.

Rental – For rental units, the use restriction ensures that the rent for low and moderate income units will only increase in proportion to growth in median household income.

Ownership – For owner-occupied units, the use restriction ensures that units may only be resold to income-qualified buyers at affordable prices while providing a reasonable rate of appreciation to the seller.

Local Initiative Units restrictions must run (1) with the land (be recordable at Registry of Deeds as a condition of deed, mortgage, or zoning); (2) be self enforcing (have a legal mechanism for compliance that occurs automatically without state or local intervention); and (3) includes a regular reporting process to the community and a process for verification of compliance. Communities are strongly encouraged to use model legal documents already approved by DHCD. Local Initiative Units will be included in the Subsidized Housing Inventory for as long as the lock-in period continues and use restrictions remain in effect.

Marketing Plan and Affirmative Action Goals

All Local Initiative Units must have a marketing plan approved by DHCD.

The three basic elements of the plan are:

- ☐ affirmative marketing to minority households,
- ☐ local preference (if any), and

- the buyer/tenant selection process.

Affirmative Marketing Goals

The affirmative marketing goal is to achieve a percentage of minority ownership or tenancy in low or moderate income units equal to the greater of (1) the percentage of income-eligible minority households in the community; or (2) the percentage of income-eligible minority households in the applicable HUD region.

Local Preference

The marketing plan may also include local preference for up to 70 percent of the low and moderate income units. Categories of local preference may be determined by the community provided they are reasonable and do not have a discriminatory or unlawful effect. Local preference, for example, may include current residents, children or parents of current residents, and/or employees of the city or town.

Buyer/Tenant Selection

Buyers or tenant must be selected by a fair and equitable process such as a lottery. A development containing four or more affordable units would generally have a multiple pool lottery. DHCD can provide sample guidance on conducting a lottery.

Submit the affirmative marketing plan for the Local Initiative Units, outlining the steps that will be taken, including advertising and outreach to minority organizations, to achieve the minority participation goal. DHCD can provide model plans.

If a project requires technical assistance from the Local Initiative Program staff in order for the affordable units to qualify for the Subsidized Housing Inventory, the project will be charged a fee of \$50 per unit.

Municipal Contact Information

Chief Elected Official:

Name_____

Address_____

Phone_____

Email_____

Town Administrator/Manager:

Name_____

Address_____

Telephone_____

Email_____

City/Town Planner (if any):

Name_____

Address_____

Telephone_____

Email_____

Chairman, Zoning Board of Appeals:

Name_____

Address_____

Telephone_____

Email_____

Chairman, Local Housing Partnership (if any):

Name_____

Address_____

Telephone_____

Email_____

Community Contact Person
for this project

Name: _____

Address: _____

Telephone: _____

Email: _____

Community Support Narrative, Project Description, and Documentation

Please provide a description of the project, including a summary of the project's history, and the ways in which the community fulfilled the Local Action requirement (see page 3).

Please provide documentation of the following:

- ☐ Long-Term Use Restriction (provide sample copy)
- ☐ Affirmative Fair Marketing Plan
- ☐ Documentation of affordability for low and moderate income (how is sale price/rental cost affordable to households at or below 80% of median income?)
- ☐ Town Action (e.g., zoning ordinance, site permit conditions, density bonus, etc.)

Signatures of Support for the Local Initiative Units Application

Chief Elected Official: Signature: _____
 Print Name: _____
 Date: _____

Chair, Local Housing Partnership
(as applicable)

Signature: _____
Print Name: _____
Date: _____

The Project

Project Site: _____

Address : _____

Site Characteristics: proposed or existing buildings by design, ownership type and size.

<u>Project Style</u>	<u>Total Number of Units</u>	<u>Number of Units Proposed for LIP Units Only Certification</u>
• Single-family detached	_____	_____
• Attached	_____	_____
• Low-rise (less than 35 feet)	_____	_____
• Mid Rise (35-70 feet)	_____	_____
• Other _____	_____	_____

Unit Composition

Type of Unit: Condo Ownership Fee Simple Ownership Rental	# of Units	# of Bedrooms	# of Baths	Gross Square feet	Livable Square feet	Sale Prices/ Rent	Homeowner's Condo fee

Local tax rate per thousand \$_____ For Fiscal Year _____

760 CMR 45.00 LOCAL INITIATIVE PROGRAM

Section

45.03: Local Initiative Units

The Department shall, upon application by the Chief Elected Official of a city or town for approval of units as Local Initiative Units, approve the application if the units meet the following requirements, and The Department shall thereafter count the units on The Subsidized Housing Inventory during the term of affordability as provided in 760 CMR 45.07.

1. **Local Action:** The municipality has taken an action or given an approval that contributes to the creation of qualifying housing units through new construction, building conversion, adaptive re-use, or rehabilitation. Local action also includes Local Housing Programs and ordinances or bylaws providing for Low or Moderate Income Housing Units, which may include Accessory Apartments.
2. **Income and Asset Limits:** For tenants and purchasers household income shall not exceed 80% of area median income based on household size as determined by HUD, but the municipality may set lower limits. For tenants of rental housing and purchasers of ownership housing there shall be reasonable household asset limits; asset limits shall not be so high that a household has no substantial need of a rental unit with a reduced rent or of an ownership unit with a reduced purchase price.
3. **Affordability of Rental Units:** Monthly rents payable by a household exclusive of utilities, shall not exceed 30% of the monthly income of a household earning 80% of area median income based on household size. If services are included in the monthly rent (e.g., in assisted living projects), and monthly rent exceeds the limit set forth in the previous sentence, the services must be clearly defined and sufficiently comprehensive to justify the additional percentage of household income that must be devoted to rent. In the event a unit receives a state, federal or local subsidy, maximum rent may be as provided in the rent subsidy program so long as the tenant share of rent does not exceed the maximum set herein.
4. **Affordability of Ownership Units:** Initial purchase prices and resale prices shall be established so that households are not required to spend more than 30% of the income of a household earning 80% of area median income for annual debt service on a mortgage (at 30-year fixed-interest rates at the time of initial sale), taxes, insurance, and condominium or homeowners fees with no more than a five percent (5%) down- payment, including any required entrance deposit.
5. **Use Restriction:** There shall be a Use Restriction. The LIP documents may be used. The Use Restriction and any Regulatory Agreement shall include provision for satisfaction of the requirements in 760 CMR 45.03, as well as the following: (a) A local public or quasi-public entity must be a holder of the restriction with the right and the obligation to enforce it during the term of affordability; (b) the restriction must provide for effective monitoring, and enforcement by the local public or quasi-public holder which may enter into a contract for monitoring services with a private entity experienced in affordable housing operation, but which retains final responsibility for ensuring compliance with the restriction.; (c) the restriction shall provide for selection of eligible tenants of rental units or owners of ownership units in a fair and reasonable manner in compliance with fair housing laws, and such tenants and owners shall be required to occupy the units as their domiciles and principal residences; (d) absent demonstrable need for a shorter term of affordability, there shall

be a term of no less than 30 years for new construction and of no less than 15 years for rehabilitation provided that the Use Restriction of an Accessory Apartment may be coterminous with the ownership of the dwelling to which it is accessory.

6. Reporting: Provision shall be made for an annual determination whether (1) rental units are rented to Low or Moderate Income Households at rents not exceeding the maximum rents set forth above, and (2) ownership units continue to be occupied as the domicile and principal residence of the owner. In the event of a resale of an ownership unit the monitoring entity shall determine whether the unit has been resold to a Low or Moderate Income buyer for no more than the maximum permissible resale price and subject to a new or continued Use Restriction. The monitoring entity shall publicly report annually on whether there has been compliance with these requirements. The Department shall be provided a copy of the report. In the event of noncompliance the local holder of the Use Restriction shall take prompt action to restore compliance, including litigation if necessary.

7. Nondiscrimination in Tenant or Buyer Selection: There shall be a specific prohibition of discrimination on the basis of race, creed, color, sex, age, handicap, marital status, sexual preference, national origin or any other basis prohibited by law in the leasing or sale of units.

45.06: Technical Assistance

The Department shall provide technical assistance, as part of the Local Initiative Program. The purpose of such technical assistance is to support Low or Moderate Income Housing which does not require direct state or federal financial assistance. The assistance rendered by the Department may include, but is not limited to, assistance in evaluating sites, reviewing development proposals, determining project feasibility, and monitoring and enforcing compliance with Use Restrictions and Regulatory Agreements.

45.07: Inclusion of Units in Subsidized Housing Inventory

Local Initiative Units and units produced by a Local Housing Program or by the Local Initiative General Program shall be included in the Subsidized Housing Inventory as follows:

1. Local Initiative Units shall be included in the Subsidized Housing Inventory for as long as approved Use Restrictions remain in effect for these units and the units are otherwise in compliance with 760 CMR 45.03.
2. Units produced by a Local Housing Program or by the Local Initiative General Program shall be included in the Subsidized Housing Inventory for as long as approved Use Restrictions remain in effect and the projects are otherwise in compliance with 760 CMR 45.04 (Local Housing Program) or with 760 CMR 45.05 (Local Initiative General Program).
3. Within Comprehensive Permit Projects Low or Moderate Income Housing units will be counted as Subsidized Housing Units in an ownership development and all units will be counted as Subsidized Housing Units in a rental development provided that at least 25% of total units are Low or Moderate Income Housing units and otherwise only Low or Moderate Income Housing units will be counted.